

1 **REBUTTAL TESTIMONY OF**

2 **W. KELLER KISSAM**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

5 **DOCKET NO. 2012-218-E**

6

7 **Q. PLEASE STATE YOUR FULL NAME, BUSINESS ADDRESS, AND**
8 **OCCUPATION.**

9 A. My name is W. Keller Kissam and my business address is 220
10 Operation Way, Cayce, South Carolina. I am President of Retail
11 Operations of South Carolina Electric & Gas Company (the “Company” or
12 “SCE&G”).

13 **Q. HAVE YOU PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN**
14 **THIS PROCEEDING?**

15 A. I have.

16 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

17 A. The purpose of my testimony is to discuss the Company’s response
18 to the recommendations of the South Carolina Office of Regulatory Staff
19 (“ORS”) as presented by Witness Leigh C. Ford regarding the Storm
20 Damage Reserve and payment of storm damage insurance premiums. I also
21 respond to testimony by Kevin O’Donnell, witness for the South Carolina
22 Energy Users Committee (“SCEUC”), and Ralph C. Smith, witness for

1 AARP, regarding the Storm Damage Reserve and storm damage insurance
2 premiums. I also discuss the testimony of ORS Witness Henry N. Webster,
3 II regarding the recovery of dues for membership in the Edison Electric
4 Institute (“EEI”). And I will respond to the testimony of SCEUC Witness
5 O’Donnell proposing to completely eliminate recovery of EEI dues.

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7 **STORM DAMAGE RESERVE COLLECTIONS AND STORM**
8 **DAMAGE INSURANCE PREMIUMS**

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10 **Q. WHAT IS THE RECOMMENDATION OF ORS WITH RESPECT**
11 **TO THE REINSTATEMENT OF COLLECTIONS FOR THE**
12 **STORM DAMAGE RESERVE AND PAYMENT OF STORM**
13 **DAMAGE INSURANCE PREMIUMS?**

14 A. ORS Witness Ford recommends that collections for the Storm
15 Damage Reserve through current rates not be reinstated at this time. She
16 further recommends that storm damage insurance premiums not be
17 collected through current rates or applied against the Storm Damage
18 Reserve. Finally, she recognizes that, should storm restoration costs exceed
19 the Storm Damage Reserve because of future storms, consideration of
20 emergency relief through the imposition of a storm recovery rider would be
21 appropriate in order to permit the Company to recover these extraordinary
22 costs.

1 **Q. WHAT IS THE COMPANY'S POSITION REGARDING THE**
2 **RECOMMENDATION OF ORS?**

3 A. Although the Company believes its proposals regarding collections
4 for the Storm Damage Reserve and recovery of storm damage insurance
5 premiums through current rates are reasonable and prudent, for purposes of
6 this proceeding it is willing to accept the recommendations of ORS. By
7 accepting these proposals of ORS in this docket, the Company does not
8 mean to imply that it will not in a future rate proceeding propose to reinstate
9 collections for the Storm Damage Reserve through rates or to include
10 collections for storm damage insurance premiums in rates or through
11 application against the Storm Damage Reserve.

12 **Q. WHAT WAS THE RECOMMENDATION OF THE SCEUC WITH**
13 **RESPECT TO THE REINSTATEMENT OF COLLECTIONS FOR**
14 **THE STORM DAMAGE RESERVE AND PAYMENT OF STORM**
15 **DAMAGE INSURANCE PREMIUMS?**

16 A. Like ORS, SCEUC Witness O'Donnell recommended that
17 collections for the Storm Damage Reserve not be reinstated at this time,
18 that storm damage insurance premiums not be collected in base rates, and
19 that these insurance premiums not be drawn from the Storm Damage
20 Reserve. SCEUC Witness O'Donnell also supports the Company's ability
21 to obtain such rate relief through a rider imposed after a significant weather
22 event.

1 **Q. WHAT IS THE COMPANY'S POSITION REGARDING THE**
2 **RECOMMENDATION OF SCEUC?**

3 A. The SCEUC's position is identical to that of ORS and, thus, the
4 Company is willing to accept that position with the understanding that the
5 Company reserves the right to propose reinstating collections for the Storm
6 Damage Reserve or to include collections for storm damage insurance
7 premiums through rates or application against the Storm Damage Reserve.

8 **Q. WHAT WAS THE RECOMMENDATION OF AARP WITH**
9 **RESPECT TO THE REINSTATEMENT OF COLLECTIONS FOR**
10 **THE STORM DAMAGE RESERVE AND PAYMENT OF STORM**
11 **DAMAGE INSURANCE PREMIUMS?**

12 A. AARP Witness Smith also recommended that collections for the
13 Storm Damage Reserve not be reinstated at this time. However, although
14 agreeing with ORS Witness Ford and SCEUC Witness O'Donnell that
15 storm damage insurance premiums should not be collected through current
16 rates, AARP Witness Smith recommended that the Company continue to
17 apply these premiums against the Storm Damage Reserve.

18 **Q. WHAT IS THE COMPANY'S POSITION REGARDING THE**
19 **RECOMMENDATION OF AARP?**

20 A. The Company accepts AARP's recommendations to the extent
21 consistent with the recommendations of ORS. However, the
22 recommendation of AARP Witness Smith that the storm damage insurance

1 premiums should be applied to the Storm Damage Reserve is inconsistent
2 with ORS Witness Ford's recommendation.

3 **Q. WHAT IS THE COMPANY'S PLAN REGARDING THE STORM**
4 **DAMAGE INSURANCE POLICY CURRENTLY IN EFFECT?**

5 A. In 2007 SCE&G obtained a \$70 million insurance policy to transfer
6 risk of high levels of damage to its transmission and distribution systems
7 from named hurricanes calculated to exceed \$100 million. This insurance
8 specifically relies on the EQECAT¹ USWind model to compute modeled
9 loss for storm events with simulated size, intensity, speed, track and
10 landfall location equivalent to those of an actual storm. Payment of any
11 claim is based upon the results of the modeling for the hurricane that
12 caused the claim. This policy is scheduled to expire on June 30, 2013.
13 Consistent with the recommendation that premiums for the storm damage
14 insurance policy not be collected through base rates or applied against the
15 Storm Damage Reserve, the Company intends to allow the policy to lapse
16 on its expiration date.

¹ EQECAT, Inc. is a subsidiary of the ABS Group of Companies, Inc. Together these two companies are leading global providers of catastrophic risk management services, including software and consulting, to major insurers, reinsurers, corporations, governments and other financial institutions.

EEI DUES

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Q. WHAT IS THE RECOMMENDATION OF ORS WITH RESPECT TO EEI DUES?

A. ORS Witness Webster recommends accepting the Company’s proposal to increase O&M expense for EEI Dues, but recommends reducing the total amount of the dues by the portion of the dues attributable to influencing legislation or lobbying (\$44,000) and by the portion attributable to a charitable donation to the Edison Foundation and its Institute for Electric Efficiency (\$14,000). This recommendation would have the result of reducing the amount of EEI Dues included in retail electric rates from \$200,000 to \$147,099.

Q. WHAT IS THE COMPANY’S POSITION REGARDING THE RECOMMENDATION OF ORS?

A. For purposes of this proceeding, the Company is willing to accept the recommendation of ORS.

Q. WHAT WAS THE RECOMMENDATION OF SCEUC REGARDING EEI DUES?

A. SCEUC Witness O’Donnell recommends excluding all EEI dues from O&M Expense.

1 **Q. HOW DO YOU RESPOND TO THE RECOMMENDATION OF**
2 **SCEUC REGARDING EEI DUES?**

3 A. The Company does not agree with the recommendation of SCEUC
4 Witness O'Donnell. Recent events ranging from terrorist activity to
5 widespread power outages in various regions of the United States have
6 resulted in significant and costly federal regulatory oversight of utilities. If
7 not for associations such as the EEI facilitating contacts and bringing
8 utilities together in an effort to encourage dialogue to share ideas and best
9 practices and to speak with an informed, educated, experienced voice, the
10 regulatory process would be less efficient and effective. EEI represents
11 shareholder-owned utilities regarding industry finance and accounting
12 issues. The Company therefore reasonably determined that EEI
13 membership would yield significant benefits in the efficient delivery of
14 electric service to its customers. However, based on their nature, many of
15 these benefits are not readily measurable or quantifiable. The Company
16 therefore determined that a quantitative cost-benefit analysis regarding the
17 EEI dues was unnecessary.

18 However, a qualitative consideration of EEI's activities
19 demonstrates the benefits provided by membership in that entity. EEI has
20 played a major role in storm recovery efforts by serving as a liaison on
21 behalf of utilities to various municipalities, states, and all the way to the
22 executive branch of our federal government. During the height of

1 Hurricane Sandy, which devastated the Eastern Seaboard, EEI President
2 Tom Kuhn was an official utility industry spokesperson on major news
3 networks providing assessment of damage information, health and safety
4 guidelines, as well as offering key insight into the massive restoration
5 efforts impacting over 8 million electric consumers.

6 EEI is also a strong educational resource for utility consumers, as
7 well as member companies. It has evolved from informing consumers with
8 regards to how electricity is produced and transmitted to increasing
9 consumer awareness of demand-side management and energy efficiency
10 activities.

11 By being represented in an association of United States shareholder-
12 owned electric companies such as EEI, SCE&G and its customers are
13 afforded greater coordination of resources for efficiency and effectiveness
14 on any issue affecting the production, transmission, distribution, and
15 consumption of electric power. This benefit should be recognized and
16 considered an integral part of the company's efforts to stay proactively
17 engaged on issues affecting its customers as part of a much larger forum,
18 and such dues should be included as part of this rate filing. In addition to
19 these other benefits, should the Company be faced with a catastrophic
20 weather event like that discussed in my preceding response, membership in
21 the EEI will prove invaluable in ensuring that all available assistance is
22 obtained as promptly and efficiently as possible. Moreover, the Company

1 has accepted the recommendation of ORS Witness Webster to remove from
2 base rates the portion of the EEI dues attributable to lobbying efforts and
3 charitable contributions. With this adjustment and considering the many
4 benefits afforded by this association of investor-owned utilities,
5 membership in EEI provides significant benefits to both the Company and
6 its customers.

7 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

8 A. Yes, it does.